

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended March 31, 2003

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

For Quarter Ended March 31, 2003

Commission file number: 2-96350

CNB Corporation

(Exact name of registrant as specified in its charter)

South Carolina

(State or other jurisdiction of
incorporation or organization)

57-0792402

(I.R.S. Employer
Identification No.)

P.O. Box 320, Conway, South Carolina

(Address of principal executive offices)

29528

(Zip Code)

(Registrant's telephone number, including area code): (843) 248-5721

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X. No ____.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12 b-2 of the Exchange Act). Yes _____. No X.

State the number of shares outstanding of each of the issuers shares of common equity as of the latest practical date: 718,143 shares of common stock, par value \$10 per share, April 30, 2003.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements:

Consolidated Balance Sheets as of March 31, 2003,
December 31, 2002 and March 31, 2002 1

Consolidated Statement of Income for the Three Months
Ended March 31, 2003 and 2002 2

Consolidated Statement of Comprehensive Income
for the Three Months Ended March 31, 2003 and 2002 3

Consolidated Statement of Changes in Stockholders'
Equity for the Three Months Ended March 31, 2003
and 2002 4

Consolidated Statement of Cash Flows for the Three Months
Ended March 31, 2003 and 2002 5

Notes to Consolidated Financial Statements 6-13

Item 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations 13-20

Item 3. Qualitative and Quantitative Disclosures About Market Risk 21

Item 4. Controls and Procedures 21

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K 22

SIGNATURE 22

CERTIFICATIONS 23-24

CNB Corporation and Subsidiary
Consolidated Balance Sheets
(All Dollar Amounts, Except Per Share Data, in Thousands)
(Unaudited)

ASSETS:	March 31, 2003	December 31, 2002	March 31, 2002
Cash and due from banks	\$ 24,097	\$ 25,217	\$ 21,158
Interest bearing deposits with banks	0	0	0
Investment Securities (Fair values of \$10,149 at March 31, 2003, \$13,702 at December 31, 2002, and \$20,746 at March 31, 2002)	9,488	13,105	20,259
Securities Available for Sale (Amortized cost of \$149,800 at March 31, 2003, \$159,341 at December 31, 2002, 138,623 at March 31, 2002)	156,656	165,914	139,347
Federal Funds sold and securities purchased under agreement to resell	23,000	22,000	38,075
Loans:			
Loans	343,686	325,622	303,728
Less reserve for possible loan losses	(4,377)	(4,155)	(3,885)
Net loans	339,309	321,467	299,843
Bank premises and equipment	13,069	12,449	11,168
Other assets	9,043	9,338	9,176
Total assets	<u>\$574,662</u>	<u>\$569,490</u>	<u>\$539,026</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:			
Deposits:			
Non-interest bearing	\$ 94,781	\$ 100,225	\$ 87,213
Interest-bearing	382,711	368,084	359,440
Total deposits	<u>477,492</u>	<u>468,309</u>	<u>446,653</u>
Federal funds purchased and securities sold under agreement to repurchase	27,096	26,219	28,350
Other short-term borrowings	1,316	6,509	5,690
Other liabilities	5,456	7,328	3,397
Total liabilities	<u>511,360</u>	<u>508,365</u>	<u>484,090</u>
Stockholders' equity:			
Common stock, par value \$10 per share: Authorized 1,500,000 in 2003 and 2002; issued 718,246 in 2003 and 2002	7,182	7,182	7,182
Surplus	34,791	34,783	34,779
Undivided Profits	17,227	15,318	12,682
Net Unrealized Holding Gains (Losses) on Available-For-Sale Securities	4,114	3,944	434
Less: Treasury stock	(12)	(102)	(141)
Total stockholders' equity	<u>63,302</u>	<u>61,125</u>	<u>54,936</u>
Total liabilities and stockholders' equity	<u>\$574,662</u>	<u>\$569,490</u>	<u>\$539,026</u>

CNB Corporation and Subsidiary
Consolidated Statement of Income
(All Dollar Amounts, Except Per Share Data, in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2003	2002
Interest Income:		
Interest and fees on loans	\$ 5,566	\$ 5,571
Interest on investment securities:		
Taxable investment securities	1,700	1,729
Tax-exempt investment securities	271	285
Interest on federal funds sold and securities purchased under agreement to resell	49	63
Total interest income	<u>7,586</u>	<u>7,648</u>
Interest Expense:		
Interest on deposits	1,873	2,175
Interest on federal funds purchased and securities sold under agreement to repurchase	91	136
Interest on other short-term borrowings	<u>5</u>	<u>35</u>
Total interest expense	<u>1,969</u>	<u>2,346</u>
Net interest income	5,617	5,302
Provision for possible loan losses	<u>280</u>	<u>275</u>
Net interest income after provision for possible loan losses	<u>5,337</u>	<u>5,027</u>
Other income:		
Service charges on deposit accounts	837	777
Gains/(Losses) on securities	154	183
Other operating income	<u>478</u>	<u>392</u>
Total other income	<u>1,469</u>	<u>1,352</u>
Other expenses:		
Salaries and employee benefits	2,602	2,363
Occupancy expense	542	487
Other operating expenses	<u>900</u>	<u>835</u>
Total operating expenses	<u>4,044</u>	<u>3,685</u>
Income before income taxes	2,762	2,694
Income tax provision	<u>854</u>	<u>838</u>
Net income	<u>\$ 1,908</u>	<u>\$ 1,856</u>
Per share data:		
Net income per weighted average shares outstanding	<u>\$ 2.66</u>	<u>\$ 2.59</u>
Cash dividend paid per share	<u>\$ 0</u>	<u>\$ 0</u>
Book value per actual number of shares outstanding	<u>\$ 88.15</u>	<u>\$ 76.63</u>
Weighted average number of shares outstanding	<u>718,024</u>	<u>716,680</u>
Actual number of shares outstanding	<u>718,143</u>	<u>716,904</u>

CNB Corporation and Subsidiary
Consolidated Statements of Comprehensive Income
(All Dollar Amounts, Except Per Share Data, in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2003	2002
Net Income	\$1,908	\$1,856
Other comprehensive income, net of tax		
Unrealized gains/(losses) on securities:		
Unrealized holding gains/(losses) during period	170	(1,001)
Net Comprehensive Income	<u>\$ 2,078</u>	<u>\$ 855</u>

CNB Corporation and Subsidiary
Consolidated Statement of Changes in Stockholders' Equity
(All Dollar Amounts in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2003	2002
Common Stock:		
(\$10 par value; 1,500,000 shares authorized)		
Balance, January 1	\$ 7,182	\$ 7,182
Issuance of Common Stock	<u>None</u>	<u>None</u>
Balance at end of period	<u>7,182</u>	<u>7,182</u>
Surplus:		
Balance, January 1	34,783	34,774
Issuance of Common Stock	<u>None</u>	<u>None</u>
Gain on sale of Treasury stock	<u>8</u>	<u>5</u>
Balance at end of period	<u>34,791</u>	<u>34,779</u>
Undivided profits:		
Balance, January 1	15,318	10,826
Net Income	1,908	1,856
Cash dividends declared	<u>None</u>	<u>None</u>
Balance at end of period	<u>17,227</u>	<u>12,682</u>
Net unrealized holding gains/(losses) on Available-for-sale securities:		
Balance, January 1	3,944	1,435
Change in net unrealized gains/(losses)	<u>170</u>	<u>(1,001)</u>
Balance at end of period	<u>4,114</u>	<u>434</u>
Treasury stock:		
Balance, January 1		
(951 shares in 2003; 2,134 shares in 2002)	(102)	(221)
Purchase of treasury stock	<u>(40)</u>	<u>(45)</u>
Reissue of treasury stock	<u>130</u>	<u>125</u>
Balance at end of period	<u>(12)</u>	<u>(141)</u>
(103 shares in 2003; 1,342 shares in 2002)		
Total stockholders' equity	<u>\$63,302</u>	<u>\$54,936</u>

Note: Columns may not add due to rounding

CNB CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	For the three-month period ended	
	March 31,	
	2003	2002
OPERATING ACTIVITIES		
Net Income	\$ 1,908	\$ 1,856
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	172	160
Provision for loan losses	280	275
Provision for deferred income taxes	113	(667)
Loss (gain) on sale of investment securities	(154)	(183)
(Increase) decrease in accrued interest	293	220
receivable	2	(147)
(Increase) decrease in other assets	633	1,017
(Decrease) increase in other liabilities		
Net cash provided by operating activities	<u>3,247</u>	<u>2,531</u>
INVESTING ACTIVITIES		
Proceeds from sale of investment securities available for sale	6,529	6,017
Proceeds from maturities of investment securities held to maturity	3,617	446
Proceeds from maturities of investment securities available for sale	14,166	8,974
Purchase of investment securities available for sale	(11,000)	(16,000)
(Increase) decrease in federal funds sold	(1,000)	(34,125)
(Increase) decrease in loans	(18,064)	(7,121)
Premises and equipment expenditures	<u>(792)</u>	<u>(43)</u>
Net cash used for investing activities	<u>(6,544)</u>	<u>(41,852)</u>
FINANCING ACTIVITIES		
Dividends paid	(2,690)	(2,507)
Increase (Decrease) in deposits	9,183	36,010
(Decrease) increase in securities sold under repurchase agreement	877	(4,471)
(Decrease) increase in other short-term borrowings	<u>(5,193)</u>	<u>3,552</u>
Net cash provided by (used for) financing activities	<u>2,177</u>	<u>32,584</u>
Net increase (decrease) in cash and due from banks	(1,120)	(6,737)
CASH AND DUE FROM BANKS, BEGINNING OF YEAR	<u>25,217</u>	<u>27,895</u>
CASH AND DUE FROM BANKS, March 31, 2003 AND 2002	<u>\$ 24,097</u>	<u>\$ 21,158</u>
CASH PAID (RECEIVED) FOR:		
Interest	<u>\$ 2,088</u>	<u>\$ 2,892</u>
Income taxes	<u>\$ 72</u>	<u>\$ 135</u>

CNB CORPORATION AND SUBSIDIARY (The "Corporation")

CNB CORPORATION (The "Parent")

THE CONWAY NATIONAL BANK (The "Bank")

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All Dollar Amounts in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net income per share - Net income per share is computed on the basis of the weighted average number of common shares outstanding, 718,024 for the three-month period ended March 31, 2003 and 716,680 for the three-month period ended March 31, 2002.

NOTE 2 - RESTRICTIONS ON CASH AND DUE FROM BANKS

The Bank is required to maintain average reserve balances either at the Bank or on deposit with the Federal Reserve Bank. The average amount of these reserve balances for the three-month period ended March 31, 2003 and for the years ended December 31, 2002 and 2001 were approximately \$10,605, \$10,346, and \$9,103, respectively.

NOTE 3 - INVESTMENT SECURITIES

Investment securities with a par value of approximately \$87,700 at March 31, 2003 and \$79,880 at December 31, 2002 were pledged to secure public deposits and for other purposes required by law.

The following summaries reflect the book value, unrealized gains and losses, approximate market value, and tax-equivalent yields of investment securities at March 31, 2003 and at December 31, 2002.

	March 31, 2003				
	Book Value	Unrealized Gains	Holding Losses	Fair Value	Yield(1)
AVAILABLE FOR SALE					
United States Treasury	\$ 0	\$ -	\$ -	\$ 0	-%
Federal agencies					
Within one year	1,071	9	-	1,080	5.13
One to five years	127,769	5,327	-	133,096	4.78
Six to ten years	4,000	263	-	4,263	5.90
	<u>132,840</u>	<u>5,599</u>	<u>-</u>	<u>138,439</u>	<u>4.82</u>
State, county and municipal					
Within one year	185	6	-	191	7.00
One to five years	9,408	600	-	10,008	5.61
Six to ten years	7,058	651	-	7,709	6.91
	<u>16,651</u>	<u>1,257</u>	<u>-</u>	<u>17,908</u>	<u>6.17</u>
Other Securities	309	-	-	309	-
Total available for sale	<u>\$149,800</u>	<u>\$6,856</u>	<u>\$ -</u>	<u>\$156,656</u>	<u>4.97%</u>
HELD TO MATURITY					
United States Treasury	\$ 0	-	-	0	-%
Federal agencies					
One to Five years	<u>2,001</u>	<u>129</u>	<u>-</u>	<u>2,130</u>	<u>6.44</u>
	<u>2,001</u>	<u>129</u>	<u>-</u>	<u>2,130</u>	<u>6.44</u>
State, county and municipal					
Within one year	1,800	42	-	1,842	6.64
One to five years	4,100	330	-	4,430	7.31
Six to ten years	1,587	160	-	1,747	7.01
	<u>7,487</u>	<u>532</u>	<u>-</u>	<u>8,019</u>	<u>7.09</u>
Total held to maturity	<u>\$ 9,488</u>	<u>\$ 661</u>	<u>\$ -</u>	<u>\$ 10,149</u>	<u>6.95%</u>

(1) Tax equivalent adjustment based on a 34% tax rate

As of the quarter ended March 31, 2003, the Bank did not hold any securities of an issuer that exceeded 10% of stockholders' equity. The net unrealized holding gains/(losses) on available-for-sale securities component of capital is \$4,114 as of March 31, 2003.

NOTE 3 - INVESTMENT SECURITIES (Continued)

	December 31, 2002				
	<u>Book Value</u>	<u>Unrealized Gains</u>	<u>Holding Losses</u>	<u>Fair Value</u>	<u>Yield(1)</u>
AVAILABLE FOR SALE					
United States Treasury	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>-%</u>
Federal agencies					
Within one year	9,448	230	-	9,678	5.89
One to five years	122,681	4,885	-	127,566	4.80
Six to ten years	10,000	567	-	10,567	5.96
	<u>142,129</u>	<u>5,682</u>	<u>-</u>	<u>147,811</u>	<u>4.96</u>
State, county and municipal					
One to five years	8,192	340	-	8,532	5.22
Six to ten years	8,722	551	-	9,273	6.40
	<u>16,914</u>	<u>891</u>	<u>-</u>	<u>17,805</u>	<u>5.83</u>
Other -					
CRA Qualified Investment Fund	<u>298</u>	<u>-</u>	<u>-</u>	<u>298</u>	<u>-</u>
Total available for sale	<u>\$159,341</u>	<u>\$6,573</u>	<u>\$ -</u>	<u>\$165,914</u>	<u>5.05%</u>
HELD TO MATURITY					
United States Treasury	<u>\$ 0</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>-%</u>
Federal agencies					
Within one year	2,000	8	-	2,008	6.38
One to Five years	2,002	131	-	2,133	6.44
	<u>4,002</u>	<u>139</u>	<u>-</u>	<u>4,141</u>	<u>6.41</u>
State, county and municipal					
Within one year	2,675	36	-	2,711	6.18%
One to five years	4,592	296	-	4,888	6.70
Six to ten years	1,836	126	-	1,962	6.60
	<u>9,103</u>	<u>458</u>	<u>-</u>	<u>9,561</u>	<u>6.53</u>
Total held to maturity	<u>\$ 13,105</u>	<u>\$ 597</u>	<u>\$ -</u>	<u>\$ 13,702</u>	<u>6.49%</u>

(1) Tax equivalent adjustment based on a 34% tax rate

As of the quarter ended December 31, 2002, the Bank did not hold any securities of an issuer that exceeded 10% of stockholders' equity. The net unrealized holding gains/(losses) on available-for-sale securities component of capital is \$3,944 as of December 31, 2002.

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES

The following is a summary of loans at March 31, 2003 and December 31, 2002 by major classification:

	March 31, 2003	December 31, 2002
Real estate loans - mortgage	\$222,455	\$214,554
- construction	31,624	28,297
Commercial and industrial loans	54,417	47,631
Loans to individuals for household, family and other consumer expenditures	31,827	31,953
Agriculture	1,893	1,674
All other loans, including overdrafts	1,470	1,513
Gross loans	<u>343,686</u>	<u>325,622</u>
Less reserve for loan losses	<u>(4,377)</u>	<u>(4,155)</u>
Net loans	<u>\$339,309</u>	<u>\$321,467</u>

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES, continued

Changes in the reserve for loan losses for the quarter ended March 31, 2003 and 2002 and the year ended December 31, 2002 are summarized as follows:

	Quarter Ended		December 31,
	March 31,	2002	2002
	2003		
Balance, beginning of period	\$ 4,155	\$ 3,763	\$ 3,763
Charge-offs:			
Commercial, financial, and agricultural	30	87	412
Real Estate - construction and mortgage	5	33	97
Loans to individuals	91	133	447
Total charge-offs	\$ 126	\$ 253	\$ 956
Recoveries:			
Commercial, financial, and agricultural	\$ 33	\$ 44	\$ 191
Real Estate - construction and mortgage	3	9	30
Loans to individuals	32	47	142
Total recoveries	\$ 68	\$ 100	\$ 363
Net charge-offs/(recoveries)	\$ 58	\$ 153	\$ 593
Additions charge to operations	\$ 280	\$ 275	\$ 985
Balance, end of period	\$ 4,377	\$ 3,885	\$ 4,155
Ratio of net charge-offs during the period to average loans outstanding during the period	.02%	.05%	.19%

The entire balance is available to absorb future loan losses.

At March 31, 2003 and December 31, 2002 loans on which no interest was being accrued totaled approximately \$840 and \$697, respectively; foreclosed real estate totaled \$60 and \$107 respectively; and loans 90 days past due and still accruing totaled \$151 and \$118, respectively.

OTHER INTEREST-BEARING ASSETS

As of March 31, 2003, the Company does not have any interest-bearing assets that would be required to be disclosed under Item III.C.1. or 2. if such assets were loans.

NOTE 5 - PREMISES AND EQUIPMENT

Property at March 31, 2003 and December 31, 2002 is summarized as follows:

	<u>March 31</u> <u>2003</u>	<u>December 31,</u> <u>2002</u>
Land and buildings	\$ 14,756	\$ 14,735
Furniture, fixtures and equipment	6,793	6,635
Construction in progress	<u>1,209</u>	<u>596</u>
	\$ 22,758	\$ 21,966
Less accumulated depreciation and amortization	<u>9,689</u>	<u>9,517</u>
	<u>\$ 13,069</u>	<u>\$ 12,449</u>

Depreciation and amortization of bank premises and equipment charged to operating expense was \$172 for the quarter ended March 31, 2003 and \$727 for the year ended December 31, 2002.

NOTE 6 - CERTIFICATES OF DEPOSIT IN EXCESS OF \$100,000

At March 31, 2003 and December 31, 2002, certificates of deposit of \$100,000 or more included in time deposits totalled approximately \$84,791 and \$84,729 respectively. Interest expense on these deposits was approximately \$529 for the quarter ended March 31, 2003 and \$2,448 for the year ended December 31, 2002.

NOTE 7 - SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

At March 31, 2003 and December 31, 2002, securities sold under repurchase agreements totalled \$27,096 and \$26,219. U.S. Government securities with a book value of \$29,981 (\$31,839 market value) and \$28,235 (\$30,123 market value), respectively, are used as collateral for the agreements. The weighted-average interest rate of these agreements was 1.29 percent and 1.41 percent at March 31, 2003 and December 31, 2002.

NOTE 8 - LINES OF CREDIT

At March 31, 2003, the Bank had unused short-term lines of credit to purchase Federal Funds from unrelated banks totalling \$27,000. These lines of credit are available on a one to seven day basis for general corporate purposes of the Bank. All of the lenders have reserved the right to withdraw these lines at their option.

The Bank has a demand note through the U.S. Treasury, Tax and Loan system with the Federal Reserve Bank of Richmond. The Bank may borrow up to \$7,000 under the arrangement at a variable interest rate. The note is secured by U.S. Treasury and Agency Securities with a market value of \$6,428 at March 31, 2003. The amount outstanding under the note totalled \$1,316 and \$6,509 at March 31, 2003 and December 31, 2002, respectively.

The Bank also has a line of credit from the Federal Home Loan Bank of Atlanta for \$86,043 secured by a lien on the Bank's 1-4 family mortgages. Allowable terms range from overnight to twenty years at varying rates set daily by the FHLB. The amount outstanding under the agreement totalled \$0 and \$0 at March 31, 2003 and December 31, 2002, respectively.

NOTE 9 - INCOME TAXES

Income tax expense for the quarter ended March 31, 2003 and March 31, 2002 on pretax income of \$2,762 and \$2,694 totalled \$854 and \$838, respectively. The provision for federal income taxes is calculated by applying the 34% statutory federal income tax rate and increasing or reducing this amount due to any tax-exempt interest, state bank tax (net of federal benefit), business credits, surtax exemption, tax preferences, alternative minimum tax calculations, or other factors. A summary of income tax components and a reconciliation of income taxes to the federal statutory rate is included in fiscal year-end reports.

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes".

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

From time to time the bank subsidiary is a party to various litigation, both as plaintiff and as defendant, arising from its normal operations. No material losses are anticipated in connection with any of these matters at March 31, 2003.

Also, in the normal course of business, the bank subsidiary has outstanding commitments to extend credit and other contingent liabilities, which are not reflected in the accompanying financial statements. At March 31, 2003, commitments to extend credit totalled \$39,284; financial standby letters of credit totalled \$787; and performance standby letters of credit totalled \$457. In the opinion of management, no material losses or liabilities are expected as a result of these transactions.

Additionally, the bank subsidiary has an outstanding commitment for the construction of a new main banking office in Conway, S.C. in the amount of \$5,093.

NOTE 11 - EMPLOYEE BENEFIT PLAN

The Bank has a defined contribution pension plan covering all employees who have attained age twenty-one and have a minimum of one year of service. Upon ongoing approval of the Board of Directors, the Bank matches one-hundred percent of employee contributions up to three percent of employee salary deferred and fifty percent of employee contributions in excess of three percent and up to five percent of salary deferred. The Board of Directors may also make discretionary contributions to the Plan. For the quarter ended March 31, 2003 and years ended December 31, 2002, 2001 and 2000, \$137, \$510, \$426, and \$404, respectively, was charged to operations under the plan.

NOTE 12 - REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory -and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the financial statements. The regulations require the Bank to meet specific capital adequacy guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital classification is also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the table below) of Tier I capital to adjusted total assets (Leverage Capital ratio) and minimum ratios of Tier I and total capital to risk-weighted assets. To be considered adequately capitalized under the regulatory framework for prompt corrective action, the Bank must maintain minimum Tier I leverage, Tier I risk-based and total risk-based ratios as set forth in the table. The Bank's actual capital ratios are also presented in the table below as of March 31, 2003:

	<u>Actual</u>		<u>For Capital adequacy Purposes Minimum</u>		<u>To be well capitalized under prompt corrective action provisions Minimum</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Total Capital (to risk weighted assets)	\$59,433	16.55%	28,730	8.0%	\$35,912	10.0%
Tier I Capital (to risk weighted assets)	55,056	15.33	14,365	4.0	21,547	6.0
Tier I Capital (to avg. assets)	55,056	9.76	22,560	4.0	28,200	5.0

NOTE 13 - CONDENSED FINANCIAL INFORMATION

Following is condensed financial information of CNB Corporation (parent company only):

CONDENSED BALANCE SHEET

MARCH 31, 2003

(Unaudited)

ASSETS

Cash	\$ 3,089
Investment in subsidiary	59,170
Fixed assets	1,006
Other assets	37
	<u>\$ 63,302</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Other liability	\$ 0
Stockholders' equity	63,302
	<u>\$ 63,302</u>

CONDENSED STATEMENT OF INCOME

For the three-month period ended March 31, 2003

(Unaudited)

EQUITY IN NET INCOME OF SUBSIDIARY	\$ 1,947
OTHER INCOME	0
OTHER EXPENSES	(39)
Net Income	<u>\$ 1,908</u>

DISCUSSION OF FORWARD-LOOKING STATEMENTS

Information in the enclosed report, other than historical information, may contain forward-looking statements that involve risks and uncertainties, including, but not limited to, timing of certain business initiatives of the Company, the Company's interest rate risk condition, and future regulatory actions of the Comptroller of the Currency and Federal Reserve System. It is important to note that the Company's actual results may differ materially and adversely from those discussed in forward-looking statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis is provided to afford a clearer understanding of the major elements of the corporation's results of operations, financial condition, liquidity, and capital resources. The following discussion should be read in conjunction with the corporation's financial statements and notes thereto and other detailed information appearing elsewhere in this report. In addition, the results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. The accompanying consolidated financial statements include all accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation. The accompanying unaudited consolidated financial statements at March 31, 2003 and for the three-month periods ending March 31, 2003 and 2002 have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q for the Securities and Exchange Commission. Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included.

DISTRIBUTION OF ASSETS AND LIABILITIES

The Company maintains a conservative approach in determining the distribution of assets and liabilities. Loans have increased 13.2% from \$303,728 at March 31, 2002 to \$343,686 at March 31, 2003 and have increased as a percentage of total assets from 56.3% to 59.8% over the same period as loan demand has strengthened in our market. Securities and federal funds sold have decreased as a percentage of total assets from 36.7% at March 31, 2002 to 32.9% at March 31, 2003 as lending has improved. This level of investments and federal funds sold provides for a more than adequate supply of secondary liquidity. Management has sought to build the deposit base with stable, relatively non-interest-sensitive deposits by offering the small to medium deposit account holders a wide array of deposit instruments at competitive rates. Non-interest-bearing demand deposits increased as a percentage of total assets from 16.2% at March 31, 2002 to 16.5% at March 31, 2003. As more customers, both business and personal, are attracted to interest-bearing deposit accounts, we expect the percentage of demand deposits to decline over the long-term. Interest-bearing deposits have decreased slightly from 66.7% of total assets at March 31, 2002 to 66.6% at March 31, 2003 while securities sold under agreement to repurchase have decreased from 5.2% to 4.7% over the same period.

The following table sets forth the percentage relationship to total assets of significant component's of the corporation's balance sheet as of March 31, 2003 and 2002:

	<u>March 31,</u> <u>2003</u>	<u>2002</u>
Assets:		
Earning assets:		
Loans	59.8%	56.3%
Investment securities	1.6	3.8
Securities Available for Sale	27.3	25.8
Federal funds sold and securities purchased under agreement to resell	<u>4.0</u>	<u>7.1</u>
Total earning assets	<u>92.7</u>	<u>93.0</u>
Other assets	<u>7.3</u>	<u>7.0</u>
Total assets	<u>100.0%</u>	<u>100.0%</u>
Liabilities and stockholder's equity:		
Interest-bearing liabilities:		
Interest-bearing deposits	66.6%	66.7%
Federal funds purchased and securities sold under agreement to resell	<u>4.7</u>	<u>5.2</u>
Other short-term borrowings	<u>.2</u>	<u>1.1</u>
Total interest-bearing liabilities	<u>71.5</u>	<u>73.0</u>
Noninterest-bearing deposits	16.5	16.2
Other liabilities	1.0	.6
Stockholders' equity	<u>11.0</u>	<u>10.2</u>
Total liabilities and stockholders' equity	<u>100.0%</u>	<u>100.0%</u>

RESULTS OF OPERATION

CNB Corporation experienced earnings for the three-month period ended March 31, 2003 and 2002 of \$1,908 and \$1,856, respectively, resulting in a return on average assets of 1.35% and 1.44% and a return on average stockholders' equity of 12.24% and 13.44%.

The earnings were primarily attributable to net interest margins in each period (see Net Income-Net Interest Income). Other factors include management's ongoing effort to maintain other income at adequate levels (see Net Income - Other Income) and to control other expenses (see Net Income - Other Expenses). This level of earnings, coupled with a moderate dividend policy, have supplied the necessary capital funds to support the growth in total assets. Total assets have increased \$35,636 or 6.6% from \$539,026 at March 31, 2002 to \$574,662 at March 31, 2003. The following table sets forth the financial highlights for the three-month periods ending March 31, 2003 and March 31, 2002:

CNB Corporation and Subsidiary
FINANCIAL HIGHLIGHTS
(All Dollar Amounts, Except Per Share Data, in Thousands)

Three-Month Period Ended March 31,

	2003	2002	Percent Increase (Decrease)
Net interest income after provision for loan losses	5,337	5,027	6.2%
Income before income taxes	2,762	2,694	2.5
Net Income	1,908	1,856	2.8
Per Share	2.66	2.59	2.7
Cash dividends declared	0	0	0
Per Share	0	0	0
 Total assets	 574,662	 539,026	 6.6%
Total deposits	477,492	446,653	6.9
Loans	343,686	303,728	13.2
Investment securities	166,144	159,606	4.1
Stockholders' equity	63,302	54,936	15.2
Book value per share	88.15	76.63	15.0
 Ratios:			
Annualized return on average total assets	1.35%	1.44%	(6.3)%
Annualized return on average stockholders' Equity	12.24%	13.44%	(8.9)%

- (1) For the three-month period ended March 31, 2003 and March 31, 2002, average total assets amounted to \$565,042 and \$514,200 with average stockholders' equity totaling \$62,361 and \$55,250, respectively.

NET INCOME

Net Interest Income - Earnings are dependent to a large degree on net interest income, defined as the difference between gross interest and fees earned on earning assets, primarily loans and securities, and interest paid on deposits and borrowed funds. Net interest income is affected by the interest rates earned or paid and by volume changes in loans, securities, deposits, and borrowed funds.

Interest rates paid on deposits and borrowed funds and earned on loans and investments have generally followed the fluctuations in market interest rates in 2003 and 2002. However, fluctuations in market interest rates do not necessarily have a significant impact on net interest income, depending on the bank's rate sensitivity position. A rate sensitive asset (RSA) is any loan or investment that can be repriced either up or down in interest rate within a certain time interval. A rate sensitive liability (RSL) is an interest paying deposit or other liability that can be repriced either up or down in interest rate within a certain time interval. When a proper balance between RSA and RSL exists, market interest rate fluctuations should not have a significant impact on earnings. The larger the imbalance, the greater the interest rate risk assumed by the bank and the greater the positive or negative impact of interest rate fluctuations on earnings. The bank seeks to manage its assets and liabilities in a manner that will limit interest rate risk and thus stabilize long-run earning power. Management believes that a rise or fall in interest rates will not materially effect earnings.

The Bank has maintained net interest margins for the three-month period ended March 31, 2003, of 4.4% and 4.6% for the same period in 2002, as compared to management's long-term target of 4.5%. Net interest margins fell in 2001 due to an unusually rapid decline in market interest rates lowering returns available on loans and investments while interest costs on liabilities did not decline as quickly due to competitive pressure. Margins widened in 2002 as liabilities were re-priced, but falling rates may again negatively impact margins in fiscal 2003.

Fully-tax-equivalent net interest income showed a 5.7% increase from \$5,449 for the three-month period ended March 31, 2002 to \$5,757 for the three-month period ended March 31, 2003. During the same period, total fully-tax-equivalent interest income decreased by .9% from \$7,795 to \$7,726 and total interest expense decreased by 16.1% from \$2,346 to \$1,969. Fully-tax-equivalent net interest income as a percentage of total earning assets has shown a decrease of .18% from 4.55% for the three-month period ended March 31, 2002 to 4.37% for the three-month period ended March 31, 2003.

The tables on the following two pages present selected financial data and an analysis of net interest income.

CNB Corporation and Subsidiary
Selected Financial Data

	Three Months Ended 3/31/03			Three Months Ended 3/31/02		
	Avg. Balance	Interest Income/ Expense	Avg. Ann. Yield or Rate	Avg. Balance	Interest Income/ Expense (1)	Avg. Ann. Yield or Rate
Assets:						
Earning assets:						
Loans	\$335,376	\$ 5,566	6.64%	\$301,393	\$ 5,571	7.39%
Securities:						
Taxable	147,350	1,700	4.61	132,460	1,729	5.22
Tax-exempt	26,782	411	6.14	26,675	432	6.48
Federal funds sold and securities purchased under agreement to resell	17,251	49	1.14	18,754	63	1.34
Total earning assets	<u>526,759</u>	<u>7,726</u>	5.87	<u>479,282</u>	<u>7,795</u>	6.51
Other assets	<u>38,283</u>			<u>34,918</u>		
Total assets	<u>\$565,042</u>			<u>\$514,200</u>		
Liabilities and stockholder equity						
Interest-bearing liabilities:						
Interest-bearing deposits	\$374,096	1,873	2.00	\$339,695	2,175	2.56
Federal funds purchased and securities sold under agreement to repurchase	26,836	91	1.36	29,314	136	1.86
Other short-term borrowings	<u>1,388</u>	<u>5</u>	1.44	<u>3,984</u>	<u>35</u>	3.51
Total interest-bearing liabilities	<u>\$402,320</u>	<u>\$ 1,969</u>	1.96	<u>\$372,993</u>	<u>\$ 2,346</u>	2.52
Noninterest-bearing deposits	95,259			82,392		
Other liabilities	5,102			3,565		
Stockholders' equity	<u>62,361</u>			<u>55,250</u>		
Total liabilities and stockholders' equity	<u>\$565,042</u>			<u>\$514,200</u>		
Net interest income as a percent of total earning assets	<u>\$526,759</u>	<u>\$ 5,757</u>	4.37	<u>\$479,282</u>	<u>\$ 5,449</u>	4.55
(1) Tax-equivalent adjustment based on a 34% tax rate		<u>\$ 140</u>			<u>\$ 147</u>	
Ratios:						
Annualized return on average total assets			1.35			1.44
Annualized return on average stockholders' equity			12.24			13.44
Cash dividends declared as a percent of net income			0			0
Average stockholders' equity as a percent of:						
Average total assets			11.04			10.74
Average total deposits			13.29			13.09
Average loans			18.59			18.33
Average earning assets as a percent of average total assets			93.22			93.21

CNB Corporation and Subsidiary
Rate/Volume Variance Analysis
For the Three Months Ended March 31, 2003 and 2002
(Dollars in Thousands)

	Average Volume 2003	Average Volume 2002	Yield/Rate 2003 (1)	Yield/Rate 2002 (1)	Interest Earned/Paid 2003 (1)	Interest Earned/Paid 2002 (1)	Variance	Change Due to Rate	Change Due to Volume	Change Due to Rate X Volume
Earning Assets:										
Loans, Net of unearned Income (2)										
Investment securities: Taxable	335,376	301,393	6.64%	7.39%	5,566	5,571	(5)	(565)	628	(68)
Tax-exempt	147,350	132,460	4.61%	5.22%	1,700	1,729	(29)	(202)	194	(21)
Federal funds sold and Securities purchased under agreement to resell	26,782	26,675	6.14%	6.48%	411	432	(21)	(23)	2	-
	<u>17,251</u>	<u>18,754</u>	<u>1.14%</u>	<u>1.34%</u>	<u>49</u>	<u>63</u>	<u>(14)</u>	<u>(9)</u>	<u>(5)</u>	<u>-</u>
Total Earning Assets	<u>526,759</u>	<u>479,282</u>	<u>5.87%</u>	<u>6.51%</u>	<u>7,726</u>	<u>7,795</u>	<u>(69)</u>	<u>(799)</u>	<u>819</u>	<u>(89)</u>
Interest-bearing Liabilities:										
Interest-bearing deposits	374,096	339,695	2.00%	2.56%	1,873	2,175	(302)	(476)	220	(46)
Federal funds purchased and securities sold under agreement to repurchase	26,836	29,314	1.36%	1.86%	91	136	(45)	(37)	(12)	4
Other short-term borrowings	<u>1,388</u>	<u>3,984</u>	<u>1.44%</u>	<u>3.51%</u>	<u>5</u>	<u>35</u>	<u>(30)</u>	<u>(21)</u>	<u>(23)</u>	<u>14</u>
Total Interest-bearing Liabilities	<u>402,320</u>	<u>372,993</u>	<u>1.96%</u>	<u>2.52%</u>	<u>1,969</u>	<u>2,346</u>	<u>(377)</u>	<u>(534)</u>	<u>185</u>	<u>(28)</u>
Interest-free Funds Supporting Earning Assets	124,439	106,289								
Total Funds Supporting Earning Assets	<u>526,759</u>	<u>479,282</u>	<u>1.50%</u>	<u>1.96%</u>	<u>1,969</u>	<u>2,346</u>	<u>(377)</u>	<u>(534)</u>	<u>185</u>	<u>(28)</u>
Interest Rate Spread			3.91%	3.99%						
Impact of Non-interest- bearing Funds on Net Yield on Earning Assets			<u>.46%</u>	<u>.56%</u>						
Net Yield on Earning Assets			<u>4.37%</u>	<u>4.55%</u>	<u>5,757</u>	<u>5,449</u>				

(1) Tax-equivalent adjustment based on a 34% tax rate.

(2) Includes non-accruing loans which does not have a material effect on the Net Yield on Earning Assets.

NET INCOME (continued)

Provision for Possible Loan Losses - It is the policy of the bank to maintain the reserve for possible loan losses at the greater of 1.20% of net loans or the percentage based on the actual loan loss experience over the previous five years. In addition, management may increase the reserve to a level above these guidelines to cover potential losses identified in the portfolio.

The provision for possible loan losses was \$280 for the three-month period ended March 31, 2003 and \$275 for the three-month period ended March 31, 2002. Net loan charge-offs totalled \$58 for the three-month period ended March 31, 2003 and \$153 for the same period in 2002.

The reserve for possible loan losses as a percentage of net loans was 1.29% at March 31, 2003 and 1.30% at March 31, 2002. The provision for possible loan losses increased from \$275 during the first quarter of 2002 to \$280 during the first quarter of 2003 to reflect the growth in the loan portfolio.

Securities Transactions - At March 31, 2003, December 31, 2002, and March 31, 2002 market value appreciation/(depreciation) in the investment portfolio totalled \$7,517, \$7,170, and \$1,211, respectively. As indicated, market values have remained strong due to lower market interest rates. Security gains of \$183 and \$154 were taken during the first quarter of 2002 and 2003, respectively, to supplement liquidity and to take advantage of a steeply-sloping yield curve.

Other Income - Other income, net of any gains/losses on security transactions, increased by 12.5% from \$1,169 for the three-month period ended March 31, 2002 to \$1,315 for the three-month period ended March 31, 2003 primarily due to an increase in deposit account volumes, higher merchant discount income, and an increase in mortgage refinancing activity.

Other Expenses - Other expenses increased by 9.7% from \$3,685 for the three-month period ended March 31, 2002 to \$4,044 for the three-month period ended March 31, 2003. The major components of other expenses are salaries and employee benefits which increased 10.1% from \$2,363 to \$2,602; occupancy expense which increased 11.3% from \$487 to \$542; and other operating expenses which increased by 7.8% from \$835 to \$900. The increase in the three-month period ended March 31, 2003 salaries and employee benefits was due to normal pay increments, the increased costs of providing employee benefits, particularly health insurance coverage, and the addition of the North Myrtle Beach Office. Looking ahead, occupancy expense will grow in 2003 due to the construction of a new Main Office Banking Center.

Income Taxes - Provisions for income taxes increased 1.9% from \$838 for the three-month period ended March 31, 2002 to \$854 for the three-month period ended March 31, 2003. Income before income taxes less interest of tax-exempt investment securities increased by 3.4% from \$2,409 for the three-month period ended March 31, 2002 to \$2,491 for the same period in 2003. State tax liability increased as income before income taxes increased 2.5% from \$2,694 to \$2,762 during the same period.

LIQUIDITY

The bank's liquidity position is primarily dependent on short-term demands for funds caused by customer credit needs and deposit withdrawals and upon the liquidity of bank assets to meet these needs. The bank's liquidity sources include cash and due from banks, federal funds sold, and short-term investments. In addition, the bank has established federal funds lines of credit from correspondent banks and has the ability to borrow funds from the Federal Reserve System and the Federal Home Loan Bank of Atlanta. Management feels that short-term and long-term liquidity sources are more than adequate to meet funding needs.

CAPITAL RESOURCES

Total stockholders' equity was \$63,302, \$61,125, \$53,996 and \$48,606 at March 31, 2003, December 31, 2002, December 31, 2001, and December 31, 2000, representing 11.02%, 10.73%, 10.68%, and 10.32% of total assets, respectively. At March 31, 2003, the Bank exceeds quantitative measures established by regulation to ensure capital adequacy (see NOTE 12 - REGULATORY MATTERS). Capital is considered sufficient by management to meet current and prospective capital requirements and to support anticipated growth in bank operations.

EFFECTS OF REGULATORY ACTION

Effective March 11, 2000, the Gramm-Leach-Bliley Act of 1999 allows bank holding companies to elect to be treated as financial holding companies which may engage in a broad range of securities, insurance, and other financial activities. At this time, neither the Company nor the Bank plan to enter these new lines of business. The management of the Company and the Bank is not aware of any other current recommendations by the regulatory authorities which, if they were to be implemented, would have a material effect on liquidity, capital resources, or operations.

ACCOUNTING ISSUES

Accounting standards that have been issued or proposed by the Financial Accounting Standards Board that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

RISKS AND UNCERTAINTIES

In the normal course of its business the Company encounters two significant types of risks: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on different basis, than its interest-earning assets. Credit risk is the risk of default on the Company's loan portfolio that results from borrower's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of collateral underlying loans receivable and the valuation of real estate held by the Company.

The Company is subject to the regulations of various governmental agencies. These regulations can and do change significantly from period to period. The Company also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and operating restrictions from the regulators' judgments based on information available to them at the time of their examination.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss from adverse changes in market prices and rates. The Company's market risk arises principally from interest rate risk inherent in its lending, deposit and borrowing activities. Management actively monitors and manages its interest rate risk exposure. In addition to other risks which the Company manages in the normal course of business, such as credit quality and liquidity risk, management considers interest rate risk to be a significant market risk that could potentially have a material effect on the Company's financial condition and results of operations (See Net Income - Net Interest Income). Other types of market risks, such as foreign currency risk and commodity price risk, do not arise in the normal course of the Company's business activities.

CONTROLS AND PROCEDURES

(a) Based on their evaluation of the Company's disclosure controls and procedures as of May 13, 2003, the Company's chief executive officer and chief financial officer concluded that the effectiveness of such controls and procedures was adequate.

(b) There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

EXHIBITS AND REPORTS ON FORM 8-K

See Exhibit Index appearing below.

- (b) Reports on Form 8-K - No reports on Form 8-K were filed during the quarter covered by this report.

EXHIBIT INDEX

All other exhibits, the filing of which are required with this Form, are not applicable.

CNB Corporation

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CNB Corporation
(Registrant)

/s/Paul R. Dusenbury
Paul R. Dusenbury
Treasurer
(Chief Financial and Accounting Officer)

Date: May 14, 2003

CERTIFICATION

I, W. Jennings Duncan, Chief Executive Officer, certify that;

1. I have reviewed this annual report on Form 10-Q of CNB Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/W. Jennings Duncan
W. Jennings Duncan
President and Chief Executive Officer

CERTIFICATION

I, Paul R Dusenbury, Chief Financial Officer, certify that;

1. I have reviewed this annual report on Form 10-Q of CNB Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/Paul R. Dusenbury
Paul R. Dusenbury
Treasurer and Chief Financial Officer